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CSRD Agreed: A Major Recalibration of the EU Sustainability Reporting Regime

Regulatory & Compliance on **December 17, 2025**

On 16 December 2025, the European Parliament adopted a significantly streamlined version of the Corporate Sustainability Reporting Directive ("CSRD"). This represents a very significant recalibration of the EU's sustainability reporting regime.

CSRD's evolution

The CSRD represents the EU's flagship framework for mandatory sustainability reporting. Originally designed to apply to a broad range of EU and non-EU companies on a phased basis from 2025, CSRD requires in-scope entities to report in accordance with the European Sustainability Reporting Standards ("ESRS") and to apply the "double-materiality" test. This test requires companies to assess both financial materiality, how sustainability matters affect the company and impact materiality, and how the company affects people and the environment. The reporting requirements spans governance, strategy, impacts/risks/opportunities and metrics/targets, extends across the value chain, and is subject to limited assurance.

In February 2025, the European Commission launched its "Omnibus" initiative as part of a wider simplification agenda intended to reduce reporting burdens for companies. The Omnibus put forward by the European Commission contained a substantial scaling-back of CSRD, triggering negotiating positions to be found by the Council of European Union and the European Parliament. Trilogue negotiations between the European Commission, the Council of the European Union and the European Parliament proceeded at pace throughout the end of 2025.

Now, on 16 December 2025, the European Parliament has voted through the revised CSRD.

Key features of the revamped CSRD

- **EU company scope:** Under the amended CSRD, EU companies fall within scope only if they exceed EUR 450 million net turnover*and* have 1,000 employees at the entity or consolidated level. This marks a very significant narrowing from the original framework and is expected to reduce the number of mandatory reporters by at least 80%.
- **Non-EU company scope:** Non-EU parent groups must report where their EU net turnover exceeds EUR 450 million, and they have an EU subsidiary or branch generating at least EUR 200 million turnover. In-scope non-EU groups must prepare a sustainability report at the group level.
- **Application timelines:** Member States may exempt companies that fall below the new scope thresholds from reporting obligations for financial years 2025 and 2026. The revised scope will apply in full from financial year 2027.
- **Revised ESRS:** A new, simplified set of ESRS must be adopted within **six months** of the CSRD's entry into force. The revised standards are expected to reduce datapoints, prioritise quantitative disclosures, clarify materiality expectations and enhance interoperability with other global frameworks.
- **Value-chain disclosures:** The revised framework introduces "value-chain caps" that limit the information companies may require from value-chain entities with fewer than 1,000 employees. Companies will retain a three-year transition period during which estimates may be used where complete information cannot be obtained.
- **Assurance and implementation support:** Limited-assurance requirements remain in place, with EU assurance standards due by 1 July 2027. A new EU sustainability reporting portal will also be established to support implementation. Reporting thresholds will be subject to periodic adjustment for inflation.

What This Means in Practice

Overall, the amended CSRD significantly reduces the number of companies subject to mandatory EU sustainability reporting.

Companies currently preparing for CSRD should reassess their potential in-scope status under the new thresholds, monitor Member State implementation decisions for the 2025–2026 exemptions and prepare for the revised ESRS expected in mid-2026.

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